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Mike Dutt

Portucel Soporcel, N.A.

Good afternoon. My name is Mike Dutt, and I am the General Manager of Portucel Soporcel North America located in Norwalk, Connecticut. I have worked for PSNA for 14 years, and have worked in the U.S. paper industry for 34 years. I would like to speak briefly about the products we sell, how we operate, and how we are different.

PSNA has been in business for 14 years, and sells all of the subject paper exported to the United States from Portugal. During that time, our business has been fairly stable. That is, we haven't grown significantly in the United States within the past 5 years. There are two main reasons for this:

First, we serve a specific segment of the U.S. market. Our subject paper is primarily sold under a high-quality mill brand, with some sales of unbranded product. We do not sell retailer branded or private branded paper.

All of our paper is made from eucalyptus fiber, which imparts certain characteristics onto our paper. The result is that our product is of a high quality. It is brighter, more opaque, and stiffer than paper with similar specifications but made from other types of wood. Based on my experience, paper quality matters. Otherwise, there would be no reason to market different brands of paper at different price points.

The majority of our sales are of our premium brands of this already high quality paper. These brands are sold to the high-quality segment of the paper market. Specifically, they are sold through distributors to users that demand a high quality paper.

Cut-sized products in the U.S. are mostly letter sized-paper. Purchasers of high-quality branded cut-sized paper would include, for example, banks or other businesses that may use that paper to provide official communications.

Because of their higher price, these branded products would not typically be used for jobs that do not demand a high-quality paper, such as printing out emails or internal office memos, or printing carryout menus.

There is not as much demand fluctuation or competition in our segment of the market. The high-quality paper segment represents only about 13 percent of the copy paper market. In that segment, there are almost no other mill branded imports that can compete with our high-quality products, and I believe that no import brand commands a premium price like ours. As a result, our business has remained steady over the past five years.

Instead, most of the opportunity to gain market share, and most of the competition, is within the retail branded or private branded segment. This is the segment of the market that includes sales of paper that is labeled with the retailer's or distributor's branding. This segment is often subject to heavy competition for high volume sales to big box stores. We do not participate in this segment, and so, are not subject to this type of competition from other imports.

The second reason for our fairly stable business pattern over the past five years is that the United States is not the primary export market for Portugal. The vast majority of Portucel's exports are to markets outside of the United States, which use different sized paper than the United States. Our ability to make large amounts of additional U.S. cut-sized paper is limited. So even if the demand in our particular segment of the U.S. market increased, our ability to increase our supply is somewhat constrained.

Because we've been in the United States market for a long time, supplying primarily high-quality products to a certain segment of that market, we were surprised to have been part of this case. Nevertheless, we are here, and I look forward to the opportunity to answer any questions that you might have.

Thank you very much for your time today.